Say on Pay and Say on Frequency ("Say When on Pay") Results at the Midpoint of the Proxy Season

We are now about halfway through the proxy season and approximately 2,357 proxies have been filed with Say on Pay and Say on Frequency votes on the ballot. Of those, 351 have come to a vote and reported results. At this point it is clear that the choice for most investors is for Annual votes on Say on Pay and that most companies are easily winning support for their Say on Pay proposals, though there are several notable exceptions.

Average Reported Results to date on Say on Pay

	For	Against
All Companies	91.2%	8.8%
Russell 3000	91.2%	8.8%
S&P 500	89.7%	10.3%

The average support for Say on Pay has remained fairly steady since our previous update, continuing a trend of strong support for the Say on Pay proposals. However, to date ten companies have experienced Say on Pay failures, these include Ameron International, Beazer Homes USA, Cogent Communications Group, Hewlett-Packard, Jacobs Engineering Group, Janus Capital Group Inc., Navigant Consulting Inc., Shuffle Master, Stanley Black & Decker Inc., and Umpqua Holding.

To date, the predominant reason for against recommendations from ISS and Glass Lewis has been where there is a perceived pay for performance disconnect (negative 1-year and 3-year TSR). However, "problematic" pay practices (single-trigger change in control provisions, excise tax gross-ups, vague disclosure, overly complex compensation schemes, etc.) have also caused against recommendations and votes.

It is also important to note that good performance alone is not a shield against negative recommendations from Glass Lewis or ISS. We have seen situations where the company had TSR performance above their peers, yet still got a negative recommendation because of either problematic pay practices or, in some cases, the sheer amount of CEO compensation.

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Breakdown of Issuer Recommendations on Frequency proposal

	Annual	Biennial	Triennial	No Rec
All Companies	1,219	69	1,000	69
Russell 3000	1,116	55	860	59
S&P 500	271	13	106	16

As we mentioned in our last update, although the early trend showed more than a majority of companies supporting a triennial frequency for Say on Pay votes, the trend has shifted and now over a majority of companies are recommending an annual frequency vote on Say on Pay. We still believe that this change reflects votes for companies with early meetings, and ISS' and Glass Lewis' recommendations for an annual vote.

Average Reported Percentage Results to date on Frequency proposal

	Annual	Biennial	Triennial
All Companies	66.6%	1.5%	28.2%
Russell 3000	66.6%	3.3%	28.2%
S&P 500	72.5%	3.4%	23.0%

The percentages choosing annual say on pay has jumped significantly since our last update, with the S&P 500 jumping up almost 10% to 72.5% choosing annual frequency and almost 4% for the other 2 categories.

It is interesting to note that the support for triennial frequency votes remains high despite the preference of ISS and Glass Lewis for Annual frequency votes, as well as near universal support amongst institutions for annual frequency. The surprisingly high support for the triennial vote is a result, of voting by several large institutions including Blackrock, Northern Trust, and Capital Research (Norges and GE Asset Management are also supporting triennial votes).

We will continue to monitor Say on Pay and Say on Frequency votes and trends and provide you with periodic updates.

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